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INDUSTRIAL COOPERATION AND CONSULTATIONS (INCLUDING ECONOMIC AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES AND IMPLEMENTATION OF GENERAL ASSEMBLY RESOLUTION 47/153)

Economic and technical cooperation among developing countries

Report by the Director-General

Summary

Reports on a variety of approaches used to increase UNIDO support of, and mobilization of funds for, economic and technical cooperation among developing countries (ECDC/TCDC) programmes and discusses the emerging orientation of ECDC/TCDC activities.

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Introduction

1. The present report is in compliance with decisions IDB.12/Dec.8 and IDB.13/Dec.21 of the Industrial Development Board, and also updates document IDB.12/3 on economic and technical cooperation among developing countries (ECDC/TCDC), which had been prepared in compliance with General Conference resolution GC.5/Res.10. The following text should be read in conjunction with the *Annual Report of UNIDO 1994* (IDB.14/10, chap. II.D), which also contains information on specific activities to promote ECDC/TCDC, particularly with respect to enterprise-level cooperation and human resource development.

I. GENERAL ORIENTATION

2. The changed international context of industrial development calls for a reorientation in regard to ECDC/TCDC. Firstly, the general decline in development assistance from the developed countries has prompted greater interaction and cooperation among developing countries themselves. Secondly, liberalized production trade and investment regimes and greater reliance on private sector development widen the scope for South-South cooperation. ECDC/TCDC no longer is solely a government or policy-related activity but offers major opportunities for enterprise-level cooperation, particularly in the private sector. Thirdly, intensified regional and subregional integration endeavours among developing countries require an enhanced and integrated industrial production and export capacity in concerned cooperation schemes.

3. The record of past industrial cooperation between developing countries has been mixed for a variety of reasons including attitudinal factors, institutional weaknesses, inadequate information and lack of necessary technical and professional support. Developing countries must be supported to overcome these and other constraints if the full potential of South-South cooperation is to be released.

4. In the restructured UNIDO, ECDC/TCDC is to play an important role in the fulfilment of the five development objectives. ECDC/TCDC thus constitutes an integral dimension of the overall work programme of UNIDO and in particular of the following Major Programmes:

(a) In Country Strategy and Programme Development (300), the key tasks carried out in respect of ECDC/TCDC are the development of technical cooperation programmes and projects in which South-South cooperation is given particular attention through specific project activities and inputs. Programmes are also developed to specifically support interregional and regional cooperation as well as to assist in the build-up of regional and subregional schemes;

(b) Mobilization and Management of Financial Resources (400) actively carries out fund mobilization efforts in support of ECDC/TCDC programmes;

(c) Information and Research (500) covers activities that provide research services and data including industrial statistics in support of South-South cooperation concepts and policies. Industrial information services are being rendered to connect various developing countries in networks for data exchange;

(d) Human Resource, Enterprise and Private Sector Development (600) facilitates, *inter alia*, the utilization of training capacities in various developing countries for trainees from other countries. In the field of small and medium enterprises, subcontracting of arrangements and partnerships is provided;

(e) In Industrial Sectors and Environment (700), advisory services and technical cooperation activities include the fostering of South-South cooperation in selected industrial subsectors and in environment protection;

(f) Investment and Technology Promotion (800) is explicitly geared to strengthening ECDC/TCDC. Besides promoting South-South cooperation in investment and technology at policy, institutional and enterprise levels, this Major Programme coordinates ECDC/TCDC activities of the Organization as a whole;

(g) Through Operational Support Services (1000) experts and other resources in developing countries are contracted for technical cooperation projects.

5. In addition, efforts have been made to initiate new approaches for ECDC/TCDC. These initiatives include the following areas:

(a) Support to existing organizations and mechanisms for interregional, regional and subregional cooperation in the field of industry. Activities foreseen in this respect include a survey of specific industrial cooperation projects and priorities of various regional and subregional intergovernmental organizations. On this basis selected pilot cases will be taken up for support through technical and advisory activities.

(b) Increased support to industrial development of the least developed countries (LDCs) with special reference to human resource development and small scale industry.

(c) Promotion of ECDC/TCDC activities in key emerging issues for developing countries such as development of the automotive and telecommunications industries and harmonization of industrial standards within regions and subregions. The cases of the automotive and telecommunications industries have been taken up for specific examination at expert group meetings to be convened in 1995.

II. SPECIFIC PROGRAMMES AND ACTIVITIES

6. Among the specific UNIDO programmes and activities promoting ECDC/TCDC, some warrant more detailed description. This concerns in particular the investment and technology promotion services, information services and various initiatives for subsector and other technical and policy cooperation between developing countries. The information presented below on those programmes supplements the respective parts of the *Annual Report of UNIDO 1994*.

A. Interregional, regional and subregional cooperation
(GC.5/Res.10, para. 1 (b))

7. The first meeting of the Regional Forum on Industrial Policies in Latin America and the Caribbean, held at San José, Costa Rica, in October 1994, was an example of UNIDO support in building up South consciousness for cooperation prospects and approaches. The meeting was sponsored by UNIDO with the support of the Latin American Economic System (SELA), Inter-American Development Bank, Economic Commission for Latin America and the Caribbean and Programa Bolivar. As a result of the Forum, a multi-agency preparatory committee was established to formulate and coordinate the final programme of activities for the 1995-1996 biennium. In June 1994, a set of policy and strategy recommendations to achieve sustained industrial growth and harmonization in the region was adopted.

8. With the active involvement of India and Mexico, a computer-aided decision support system has been developed as a tool for the formulation of competitiveness strategies. The model could be used by UNIDO and by developing countries at industrial enterprise and policy formulation levels.

9. UNIDO sponsored and organized visits of chief executives of African, Arab and Latin American iron and steel associations to their counterparts in Asia in July 1994 (IDB.14/10, chap. II.D, para. 177). Visits were made to steel companies and research and development institutions in several countries, including Malaysia, the Republic of Korea and Singapore. These meetings promoted great interest in further cooperation between iron and steel associations in such aspects as technological process, environmental management, engineering and equipment, international marketing and training.

10. Several countries have indicated interest in the Latin America and Caribbean regional harmonization programme proposed as a follow-up to the 1994 timber structural design codes workshop, and possibilities for funds mobilization are being examined.

11. Under the Regional Network on Pesticides for Asia and the Pacific and within the framework of the Farmer-Centered Agricultural Resource Management (FARM) programme of the United Nations Development Programme (UNDP), a workshop was conducted in the Philippines, attended by 50 participants from the region, that dealt with risk reduction in pesticide development. A workshop on pesticide data collection systems was held in Thailand in cooperation with the International Cooperation Centre of Agricultural Research for Development and the Economic and Social Commission for Asia and the Pacific. The workshop was attended by 30 participants from the region.

12. In cooperation with the Southern African Transport and Communications Commission, a workshop also took place in Zimbabwe to create regional awareness of environmental tropicalization and calibration of telecommunications equipment. The workshop was part of ongoing UNIDO activities for the establishment of a regional environment testing and tropicalization centre for telecommunications equipment.

B. Investment and technology cooperation
(GC.5/Res.10, para. 1 (e); IDB.12/Dec.8, para. c (ii))

13. Particular consideration is given to ideas emanating from the Report of the South Commission[1] on the promotion of joint ventures, exchange of visits by business delegates and creation of a more favourable policy environment for joint ventures within the South. Thus, in UNIDO investment promotion programmes, ECDC/TCDC constitutes an important element. These programmes and related activities are described in document GC.6/11-IDB.14/16 on industrial investment promotion.

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[1] *The challenge to the South, the Report of the South Commission*, (Oxford University Press), pp. 180-186.

14. Intensified regional integration efforts must be complemented by adequate industrial and technological capacity. The effectiveness of Techmarts as a mechanism to respond to developing countries' demand for improved access to technology sources is reflected in document IDB.13/12, paragraphs 41 and 42, as well as in the *Annual Report of UNIDO 1994* (*ibid.*, paras. 174 and 176). Comprehensive, indexed catalogues provide information on technology offers and requests from participants from developing and developed countries. Parallel seminars enable participants to enter into technology negotiation, acquisition and transfer. In the current biennium Techmarts have been held in New Delhi (1995) and Hanoi (1994).

C. Information systems
(GC.5/Res.10, para. 1 (a))

15. Efforts are being made to strengthen the Industrial and Technological Information Bank (INTIB) network and enhance the information flow so as to support ECDC/TCDC. A network approach to information handling developed by INTIB is expected to unify techniques in information processing and to create a greater awareness in organizing information, thereby increasing the exchange of business and industrial information among developing countries.

16. In order to redirect queries received by INTIB (either in Vienna or in the national focal points) to a wide range of well-targeted sources of industrial and technological information, a special Information Referral System was designed. The system provides INTIB customers, mainly in developing countries, with a wider spectrum of more up-to-date industrial technological information which can serve the strengthening of ECDC/TCDC.

D. Utilization of experts, equipment and services from developing countries
(GC.5/Res.10, para. 1 (d) and
IDB.12/Dec.8, para. c (iii))

17. Efforts were continued to increase the utilization of experts, services and equipment from developing countries for UNIDO technical cooperation projects. A list indicating the nationality of experts appointed in 1994 is provided in the addendum to the Annual Report of UNIDO for that year (IDB.14/10/Add.1, appendix F). Equipment and supplies totalling $8.9 million were purchased from developing countries in 1994, which represented 39 per cent of the total purchased by UNIDO for technical cooperation purposes in that year. The Contracts Unit awarded 71 contracts with a total value of $2.6 million to developing countries, accounting for 26 per cent of total 1994 contracts concluded by UNIDO for technical cooperation purposes.

E. Financial support
(GC.5/Res.10, para. 1 (c) and
IDB.12/Dec.8, para. c (ii))

18. Resource mobilization efforts in support of South-South cooperation were pursued through the ECDC/TCDC programme. These endeavours focused on a variety of financial sources, in particular the Industrial Development Fund (IDF), third party trust funds and the Regular Programme of Technical Cooperation.

19. The level of approvals of IDF projects with ECDC components reflects the sectoral/thematic priorities of IDF donors. Such approvals amounted in 1994 to $379,163 or nearly 2 per cent of all IDF projects approved. Recently, special efforts have been undertaken to increase the mobilization of IDF funds from developing countries. Traditionally, ECDC/TCDC activities have been primarily supported by only a few developing countries, such as China and India. Special support to ECDC/TCDC activities was also provided by developing countries through in-kind contributions to regional projects. A number of developing countries have been approached to consider providing special-purpose contributions in local currency.

20. In comparison, the Regular Programme—which is freely programmed by UNIDO—continues to strongly support projects with an ECDC component. Approvals in 1994 amounted to $716,431, or 15.3 per cent of total Regular Programme projects approved. The Regular programme of Technical Cooperation, including the technical cooperation component for the Industrial Development Decade for Africa, is being increasingly used to complement contributions to IDF and as seed money to generate further financial resources for ECDC/TCDC.

III. COORDINATION
(IDB.13/Dec.21, para. b (ii))

21. Given the interdisciplinary nature of the ECDC/TCDC programme and the fact that South-South cooperation constitutes a component of most Major Programmes of UNIDO, overall coordination assumes crucial importance.

22. Following Board decision IDB.13/Dec.21, the Industrial Cooperation and Consultations Service convened an interdivisional meeting to strengthen activities relating to ECDC/TCDC. Such meetings will be held regularly in future. The same decision requested the Director-General to consider covering the theme of ECDC/TCDC in workshops, seminars and training activities of UNIDO staff. This has been brought to the notice of the division concerned.

23. In this regard two interdivisional meetings have been convened in 1995. The first was to follow up on the recommendations of the consultation meeting on downstream petrochemicals, and the second to formulate a strategy and programme for an expert group meeting on the automotive industry for selected developing countries.

24. Coordination of ECDC/TCDC programmes with the United Nations system as a whole is another essential requirement. UNIDO will participate in and contribute to the preparations for the ninth session of the High-level Committee on Technical Cooperation among Developing Countries to be convened under the auspices of UNDP from 30 May to 3 June 1995. That session is expected to be followed by a conference on South-South cooperation in 1996.

IV. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information contained in the present report.